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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20534**

SEP - 4 1998

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

In the Matter of)

1998 Biennial Regulatory Review-)
Review of ARMIS Reporting Requirements)

CC Docket No. 98-117)

REPLY COMMENTS OF AMERITECH

I. INTRODUCTION AND SUMMARY.

The Comments filed in this proceeding and in the Commission's companion accounting proceeding¹ have demonstrated that elimination of accounting and reporting detail is justified now because such detail is no longer needed. The cost of service/rate of return regulatory paradigm, under which the reporting requirements which comprise the ARMIS 43-01 through 43-08 were adopted, is gone -- replaced by a no-sharing price cap form of regulation under which cost is no longer relevant. The United States Telephone Association (USTA) has proposed a concrete practical alternative to the overreaching and costly current reporting requirements: the financial ARMIS reports 43-01 through 43-04 should be replaced with a single report ARMIS 43-00; the network ARMIS reports 43-05 through 43-08 should be streamlined and consolidated. Similarly, BellSouth and SBC have provided credible and comprehensive simplification proposals which, in the main, are consistent with and supportive of the USTA proposals.² At the very least and only as an interim step, the cost of service/rate of return reports of the ARMIS 43-02 should be

¹ See Comments of Ameritech In the Matters of 1998 Biennial Regulatory Review-Review of Accounting and Cost Allocation Requirements, CC Docket No. 98-81, United States Telephone Association Petition for Rulemaking, ASD File No. 98-64, filed July 17, 1998, (the "companion accounting proceeding").

² See Comments of BellSouth and SBC.

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eliminated for no-sharing price cap carriers. With limited exception, commenters were supportive of the USTA simplification proposals. Commenters also showed that the NPRM's proposals were insufficient to meet the §11 requirement to review all regulations and modify or eliminate those that were no longer necessary in the public interest.

Those commenters that were either supportive of the NPRM's limited proposals for relief only for mid-sized carriers or opposed any relief or changes to the reporting requirements for any carrier failed to show why the continuing detailed reporting requirements are necessary to support any of the Commission's monitoring or enforcement responsibilities. The Commission should adopt the USTA's streamlining proposals now or alternatively, and only as an interim step, eliminate those rate of return/cost of service ARMIS 43-02 schedules for carriers under no-sharing price caps.

II. THE NPRM's PROPOSAL FOR RETAINING ARMIS REQUIREMENTS FOR THE LARGE ILEC's FALLS SHORT OF THE §11 MANDATE.

The NPRM does not propose any significant changes to the detailed Class A reporting requirements for ILEC's that are above a \$ 7 billion annual operating revenue threshold. Rather, the same reasoning for continuing the accounting detail espoused in the accounting companion proceeding is used in the NPRM to justify the continued detailed ARMIS reporting. This reasoning falls short of the §11 mandate to modify or repeal any regulation no longer necessary in the public interest since these reports do not directly affect pricing, but generate substantial unnecessary expense.

Most commenters showed that the current detailed ARMIS reporting requirements are no longer necessary and should be eliminated or at a minimum, significantly reduced. No-sharing price cap regulation has obviated the need for detailed reporting adopted under cost of service

regulation.³ The public interest and competition are not advanced by the imposition of unnecessary reporting requirements on one class of carrier.⁴ The Commission needs to use the opportunity provided by the §11 Biennial Review to effect meaningful change and meet the statute's requirements to modify or repeal unnecessary reporting requirements.

III. THE COMMENTS OF MCI, AT&T AND GSA FAIL TO ADEQUATELY SUPPORT CONTINUING ARMIS REQUIREMENTS FOR MID-SIZED OR LARGE LECs.

AT&T maintains that the regulatory benefits of the current ARMIS reporting requirements outweigh any costs of preparing and reporting ARMIS, criticizes the \$ 7 billion reporting threshold as inconsistent with previous Commission orders, and opposes any simplification for mid-sized carriers.⁵ GSA is supportive of the proposals contained in the notice and opposes extending any regulatory reporting relief to the large ILECs.⁶ Neither AT&T or GSA however, offer any additional reasons or support for retaining the current reporting requirements other than to restate the rationale in the NPRM or recite general platitudes on the continuing need for detailed reporting. MCI, as they did in their comments in the companion accounting proceeding, opposes any simplification or streamlining of the ARMIS reporting requirements. MCI goes as far as to not support the elimination of rows and columns for equal access, payphone, and inside wire on the basis of system considerations even though it acknowledges that this information is no longer necessary. MCI, curiously, also accepts that there is duplication in the ARMIS 43-01 through 43-04 reports as suggested by Ameritech and SBC, but opposes any simplification

³ See Comments of BellSouth at 5, SBC at 8-9, GTE at 6.

⁴ See Comments of USTA at 2, Ameritech at 3, BellSouth at 5.

⁵ See Comments of AT&T.

⁶ See Comments of GSA at 3-4.

because of limited Commission resources.⁷ While cost-benefit considerations need to be factored into any change to the reporting requirements, a wholesale dismissal of simplification as advanced by MCI is directly contrary to the §11 mandate to modify or repeal unnecessary regulations.

IV. MCI's COMMENTS FAIL TO ADEQUATELY REFUTE THE SBC AND AMERITECH SIMPLIFICATION PROPOSALS.

MCI opposes the simplification proposals of Ameritech and SBC, alleging that the detailed ARMIS reporting requirements are still necessary under price cap regulation. MCI maintains that the detailed ARMIS 43-01 through 43-04 continue to be necessary because of the low-end adjustment formula, the necessary cost showing for rate increases, exogenous cost changes, and the development of subscriber line charges.⁸ MCI further maintains that the ARMIS information is necessary for an evaluation of separation reform proposals and the monitoring of joint cost allocations.⁹

The detailed information contained on the ARMIS financial reports are not necessary as MCI maintains. With respect to the low-end adjustment or rate increases, neither potential instance results in the need to maintain an entire infrastructure of financial reporting detail. In either eventuality, the requisite financial detail could be provided on an as needed basis. With respect to the calculation of exogenous cost changes, ARMIS reports are not used for this purpose. Rather, a company's underlying financial information is used. Such accounting detail would be retained by a company under a simplified ARMIS reporting structure. For an exogenous cost calculation, a company is given specific instructions on the manner in which an adjustment

⁷ See Comments of MCI at 3 and 7.

⁸ See Comments of MCI at 4-5.

⁹ See Comments of MCI at 6.

must be made. In any event, occurrences which are classified as exogenous adjustments do not occur in sequence with nor do they rely on the filing of ARMIS reports.

Regarding the development of subscriber line charges, these rates are based on a forecast and do not use or rely on the historically reported costs contained on ARMIS. With respect to separations reform, the information or data needed by the Commission would still be available in the simplified ARMIS 43-00, i.e., net investment, expenses and revenues by jurisdiction, regulated, and non-regulated. With respect to cost allocations, Ameritech showed in its comments in the companion accounting proceeding that a Class B level of accounting, and hence simplified reporting, does not compromise the joint cost hierarchy of maximizing the use of direct assignment.¹⁰

MCI also maintains that the service quality and infrastructure ARMIS reports are necessary under various sections of the Telecommunications Act of 1996 (the "Act") -- §254(c)(1) on universal service, §706 on the deployment of advanced telecommunications, and §251 on the nondiscriminatory access to network elements.¹¹ MCI's reliance on the Act for continuing the full panoply of the ARMIS 43-05 through 43-08 network reports is unavailing. Until the Commission undertakes a review of the definition of universal service, requiring the ongoing submission of detailed network reports is regulatory overkill. The Commission can require the submission of specific information relevant to universal service specific to its investigation, if and when necessary. With respect to §706 and the deployment of advanced

¹⁰ See Comments of Ameritech in the companion accounting proceeding filed July 17, 1998, at Attachment 4.

¹¹ See Comments of MCI at 8-9.

telecommunications, such service capability is not limited to those involving LEC facilities.¹² The Commission should not use §706 to require the submission of detailed information relative to the deployment of advanced telecommunications only from LECs when the Act's requirements clearly apply to all telecommunication providers. Finally, the Commission should be hesitant to collect information under the auspices of §251(c). Certainly, primary recourse of any parties alleging problems in this area would be with the states. Requiring detailed reporting at the federal level would certainly not be necessary in this regard and would not pass the §11 criteria. Moreover, the Commission should be hesitant to require the reporting of information, such as the deployment of digital loop carrier equipment, that would be valuable to competitors. In other words, Commission-required reports should not further the strategic business needs of other entities.¹³

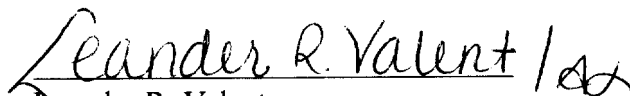
¹² See §706(c)(1), "The term 'advanced telecommunications capability' is defined, without regard to any transmission media or technology, as high-speed, switched, broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology."

¹³ See Comments of Ameritech, In the Matter of Proposed Modifications of ARMIS Report 43-07 Infrastructure, AAD File No. 98-23, May 15, 1998, at 2.

V. CONCLUSION.

For the foregoing reasons, the Commission needs to fulfill the §11 mandate and streamline and consolidate the ARMIS reporting requirements as submitted by USTA. At a minimum and only as an interim step, the cost of service/rate of return schedules on the ARMIS 43-02 should be eliminated for no-sharing price cap carriers.

Respectfully submitted,

A handwritten signature in cursive script that reads "Leander R. Valent" followed by a stylized flourish.

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Dated: September 4, 1998

CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Reply Comments of Ameritech has been served on the parties listed on the attached service list, via first class mail, postage prepaid, on this 4th day of September, 1998.

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